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TO : Department of State

FROM : SEOUL 384 April 14, 1950

REF :

SUBJECT : CONDITIONS IN CHINA

OFFICE OF CHINESE AFFAIRS

APR 26 1950

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Transmitted herewith is a copy of a Memorandum of Conversation

held between the Chinese Ambassador to Korea and the Counselor of Embassy on April 9, 1950, on the subject of Conditions in China.

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For the Ambassador:

Everett F. Drumright
Everett F. Drumright
Counselor of Embassy

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Memorandum of Conversation
dated April 11, 1950.

Copy to: American Embassy, Taipei

EFDrumright:md

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FAR EASTERN AFFAIRS

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MEMORANDUM OF CONVERSATION

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April 11, 1950

PARTICIPANTS: Mr. SHAO Yu-lin, Chinese Ambassador to Korea
Mr. Drumright

SUBJECT: Conditions in China

DISTRIBUTION: Files only

Mr. SHAO, who returned from Taiwan on April 8, came to Mr. Drumright's residence on April 9 for luncheon. Following are highlights of Mr. Shao's discussion of conditions.

Mr. Shao said that on his way to Taiwan he had stopped in Japan for one week. Accompanied by the Chinese Representative in Japan, General CHU Shih-ming, he had called on General MacARTHUR. He had expected to remain about five minutes, but since General MacArthur evinced a desire to prolong the conversation, he and General Chu had remained about one hour. The conversation covered the whole Far Eastern situation, but had particular reference to the present communist drive to dominate all of East Asia. Mr. Shao said that he had taken the opportunity to request General MacArthur's assistance in the development of three-way trade involving Japan, Korea and Taiwan. He also said that he had requested General MacArthur to assist the Chinese Government in the carrying on of intelligence activities in North China and in Manchuria. Mr. Shao did not indicate what General MacArthur's response to his requests might have been.

With respect to the overseas Chinese in Japan, Mr. Shao said he understood that a number of Chinese in Japan were espousing the communist line. Mr. Shao expressed concern and said he had strongly advised General Chu to take steps to organize the Chinese community in Japan. Referring to the Japanese Government's crack-down on Korean communists and the patent anti-communist attitude of SCAP and the Japanese Government, Mr. Shao said he saw no reason why communism should be allowed to spread among the Chinese population in Japan. Speaking with considerable pride, Mr. Shao said that the Chinese community in Korea had been effectively organized under his leadership and that there was little or no communist activity in the Chinese community in Korea.

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Mr. Shao said that his purpose in returning to Taiwan, after an absence of eight months, was to observe conditions and developments there. When he had left China in August 1949 to take up his post in Korea, he had been disheartened by the progressive disintegration of the Chinese Government, which was then reeling from successive defeats on the mainland. He had come to Korea wondering whether his Government would be able to withstand the vicissitudes and dangers confronting it. On his return to Formosa, he was therefore most pleased to find a new spirit abroad. Not only had most of the opportunists dropped out and the incompetents been eliminated, but the Government was undergoing reorganization along simpler lines, the series of military defeats had ceased, and the Government had in fact administered severe defeats to communist forces endeavoring to invade Hainan and Quemoy islands. He also said that the military establishment had been reorganized and that the morale of the troops had vastly improved. He indicated that the Government had the equipment and men to turn back communist efforts to seize the islands. He expressed the view that the Chinese communists could take the islands only in the event of very substantial aid from the Soviets -- especially air support -- and failure on the part of the Western powers to aid the Chinese Government. Mr. Shao said that the communists had not had much success in infiltrating the island; recently, he said, a small communist underground ring of about 200 persons had been exposed and broken up.

With regard to the attitude of the people of Taiwan, Mr. Shao said that they were definitely anti-communist. Neither were they necessarily antagonistic to the Chinese from the mainland. What they wanted was efficient Government. This they had not received from the National Government to any appreciable extent. However, during his incumbency as Provincial Chairman, General CHEN Cheng had carried out a vigorous redistribution of land. In consequence, General Chen enjoyed a measure of support from the Taiwan people. Mr. Shao indicated that the current Provincial Chairman, Dr. K. C. WU, was not doing so well. He said that Dr. Wu was trying to carry out in Taiwan policies which he had used in Shanghai and Chungking. Mr. Shao said that the Taiwanese had a different attitude and outlook from the Chinese on the mainland, especially as a result of 50 years of Japanese domination, and that they had to be handled differently. Mr. Shao said he had pointed this out to Dr. Wu, especially in reference to the application of coercive controls. Mr. Shao indicated that the economy of Taiwan has been relatively stable and that the value of the currency has, if anything, firmed up. He remarked, however, that the maintenance of armed forces numbering about 700,000 constituted an enormous strain. In this connection, Mr. Shao said that the armed forces in the Chusan Archipelago, Quemoy, and other island areas exclusive of Hainan, had to be supplied with rice from other sources. Mr. Shao indicated that rice for this purpose was being purchased in Siam.

Mr. Shao, who is known to be close to the Generalissimo, said he had seen the latter on several occasions while in Formosa. He said the Generalissimo remained in good health and seemed to be quite chipper. He remarked that the defeats on the mainland had had one good effect: the opportunists and hangers-on had dropped from sight and the defeated generals, some of whom had found sanctuary in Taiwan, no longer enjoyed the confidence of the Generalissimo. In this connection, Mr. Shao said that while in Taiwan he had attended a luncheon given by the Generalissimo for about 20 of the defeated generals from the mainland. Mr. Shao said that it was clear from the tenor of the Generalissimo's questions that this was the first time he had seen the generals since their arrival in Taiwan.

Mr. Shao said he had noticed one important departure in the Generalissimo's method of conducting affairs. He no longer concerns himself with minor matters -- such as the appointment of battalion commanders -- but confines himself to the larger issues. There was no question, for example, of his interfering in purely provincial matters, according to Mr. Shao.

Mr. Shao stressed again and again that the Generalissimo was giving short shrift to what he termed "opportunists" and "defeated generals". Regarding Madame Chiang, Mr. Shao asserted that she was a considerably changed person since her return from the United States. She had lost her haughtiness and no longer considered herself the first lady of the land. Mr. Shao remarked that during the Japanese war, Madame Chiang had been disliked and criticized by a great many Chinese because of her participation and interference in the operation of the government. Mr. Shao declared that Madame Chiang is no longer taking an active part in government administration, but is confining herself to the organization of women's associations, the administration of orphanages and the like.

Mr. Shao spent some time discussing the question of General Li Tsung-jen. Mr. Shao asserted that in January of this year he had written a personal letter to General Li suggesting that Li resign his position as Acting President, make a public announcement to that effect, and promptly return to Taiwan to assist in the war against communism. Mr. Shao said that he neither expected nor received an acknowledgment. On his arrival in Taiwan on February 19, Mr. Shao said he found that an organization which he termed the "Extraordinary Committee" (apparently made up of persons such as CHANG Chun, WU Te-chen, and other old-line followers of the Generalissimo) was just on the point of sending a telegram to General Li Tsung-jen to resign his post as Acting President. Mr. Shao said that he prevailed upon the Committee to postpone this proposed action for a week. However, as informal word from the Committee had failed to

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shake General Li's determination to retain the Acting Presidency, the Committee had exercised its influence to prevail on the Generalissimo to resume the Presidency. Mr. Shao expressed the view that certain State Department officials, whom he did not name, must have influenced General Li Tsung-jen to cling to his post as Acting President.

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Mr. Shao spent some time discussing the intelligence situation on the China mainland. He said that the Chinese Government had established a good organization in the area south of the Yangtze River and had good contacts. North of the Yangtze River, however, the Chinese Government had virtually no network and found it difficult to obtain access to those areas (North China and Manchuria). Mr. Shao stated that in South China guerrilla and other anti-communist activities were pretty much under the direction and supervision of the Chinese Government in Taiwan. But in the North, notably in the TaPieh Mountains and in Shantung, guerrilla activities were being carried out by anti-communist elements who had no connection with the Chinese Government in Taiwan. Mr. Shao appeared to be very apprehensive lest an independent anti-communist movement of large proportions would grow on the mainland and perhaps eclipse efforts of the authorities in Formosa at some future date to resume control. Mr. Shao emphasized the need for an underground and an intelligence organization which would be organized and ready to assume control when the communist regime collapsed. Pointing to the fact that the Chinese Government had no islands or other bases near North China and Manchuria, Mr. Shao asked whether the United States could intercede to influence the Korean Government to permit Chinese underground agencies to use Korea as a base. Mr. Drumright replied

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that it was his impression that the Korean Government would be reluctant to permit the use of its territory for that purpose, since it would constitute indirect involvement in the Chinese civil war.

Mr. Shao concluded by saying that while in Formosa he had gone to Quemoy Island and to Tinghai to observe the condition of the front-line fighting men. He said that in general he had found the morale and spirit good and the troops fairly well maintained. He agreed, however, that the number of troops appeared to be excessive, that this created a heavy strain on the economy of Taiwan, and that the number of troops should be drastically reduced. Mr. Shao appeared to feel that military equipment, including airplanes, was adequate for the defense of Taiwan.

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